



SOWELL GRAY
ROBINSON

Litigation + Business

FRANK R. ELLERBE, III

DIRECT 803 227.1112 DIRECT FAX 803 744.1556

fellerbe@sowellgray.com

October 24, 2017

VIA ELECTRONIC FILING

Ms. Jocelyn Boyd
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Dr., Suite 100
Columbia, SC 29210

RE: Duke Energy Progress, LLC Equal Payment Plan WeatherProtect

Dear Ms. Boyd:

Duke Energy Progress, LLC ("DEP" or the "Company") requests approval of a new voluntary program for residential customers that desire electric bill certainty. From March 2004 through November 2011, DEP offered a Balanced Bill Payment Plan to its customers as established and approved in Docket No. 2004-29-E. The Balanced Bill Payment Plan provided customers with an opportunity to pay a fixed monthly bill that included a premium, but which required no true-up at the end of 12 months. This plan was offered to DEP customers because previous customer research indicated that certain segments of residential customers placed a great deal of importance on having a predictable fixed monthly bill for their electricity without having to worry about a potential reconciliation at the end of the year. The Balanced Bill Payment Plan was extremely well received by DEP customers and at peak enrollment (April 2008), over 63,000 customers participated in the plan.

In August 2007 DEP began looking at information and comments regarding the impact that the Balanced Bill Plan had on customer energy conservation and peak demand, given concerns previously expressed by many interested parties. Due to the continuing and increasing emphasis being placed on energy efficiency, coupled with the potential inconsistency with the Balanced Bill Payment Plan, DEP no longer believed it was appropriate to continue to offer this payment option and terminated the plan in December 2011.

DEP continues to believe that a bill certainty offer is highly valued by a segment of customers given previous participation and high customer satisfaction in the Budget Bill Payment Plan. However, DEP also believes that supporting energy efficiency goals is important and any bill certainty offer should minimize or eliminate any potential incentive for customers to use more energy than necessary. For this reason, DEP is proposing to offer its customers a new program that is similar to the current Equal Payment Plan (EPP), but goes a step further to



provide a level of bill certainty to the customer. DEP believes this new offer will be able to provide the customer with a level of bill certainty and also address the issue of increased usage due to no price signal under the previous Balanced Bill Payment Plan.

The Company's new proposed program is named Equal Payment Plan WeatherProtect (hereinafter "EPP WeatherProtect"). This will be a new voluntary payment plan option similar to the current EPP. Like DEP's EPP, this plan will offer equalized payments over a year and will require a true-up to actual energy usage at year end. The EPP WeatherProtect monthly payment will be calculated just like it is for EPP but the customer's true-up amount will be capped at a pre-determined energy usage level (kWhs) based on the size of their weather normalized energy usage. In return, customers will pay a pre-determined monthly administrative fee for this certainty about the maximum potential true-up cap protection.

Customers who elect to participate in the program will benefit from this product in a number of ways. First, they will know with certainty that their true-up amount is capped at a certain level of kWh usage and essentially they will know the maximum amount they will pay for the next year. This facilitates budgeting and brings certainty to their future payments. Second, they are no longer at risk due to factors beyond their control such as weather variation. The benefits to Duke Energy include improved customer satisfaction and reduced high bill inquiries. The intent of EPP WeatherProtect is to protect customers from high bills driven by the weather. It is not intended to encourage a customer to use more energy in a wasteful manner since the customer will have to pay for all usage until their true-up cap amount is reached. Unlike the Balanced Bill Payment Plan, but similar to EPP, if there is a mild year and the customer uses less than the EPP WeatherProtect payment then the customer will be refunded the entire credit amount excluding the monthly administrative fees. For this reason, customers have a financial incentive to avoid using more energy than necessary since doing so would unnecessarily drive up their bill in an attempt to reach their cap. If a customer does not change their energy usage pattern and continues to engage in energy conservation efforts, any reduced energy usage will be to their benefit. EPP WeatherProtect is designed to provide assurance that if the bill is driven higher due to extreme weather, the customer is protected by the true-up kWh billing cap amount.

The EPP WeatherProtect payment option will be available to residential customers with a satisfactory payment record who have at least 12 months of usage history and participate in the Company's My Home Energy Report Program. The customer must have a consistent usage pattern that supports an accurate forecast of future consumption. The EPP WeatherProtect offer will be for one year's service, renewable by mutual agreement, and will be customer specific. The offer will be based on each individual customer's usage history. A key component of



the offer will be a customer-specific analysis of weather sensitivity, resulting in a customer specific estimate of expected normal usage.

By requiring EPP WeatherProtect customers to be participants in the Residential Service My Home Energy Report Program ("RS-HERP"), customers will be actively engaged around changes in energy usage and informed about ways to become more efficient. Additionally, any impact on the usage of participating customers will be able to be clearly understood, as it will be captured in the MyHome Energy Report EM&V results.

Like the current EPP option, the customer may elect to terminate their EPP WeatherProtect payment option at any time. If the payment option is terminated during the participation period, the customer will not receive a refund on any administrative fees paid and any customers that terminate their EPP WeatherProtect plan may have the option to move to regular EPP if the requirements of EPP are met. The True-Up Amount and Annual kWh Billing Cap amount will only be applied when the customer completes a 12 month contract period. DEP may also distribute warning letters to customer's that use 25% more than the expected weather adjusted energy usage during the periods of 2 and 8 billing months and will have the ability to terminate a customer for usage more than 30% of the expected weather adjusted energy usage during the periods of 3 and 9 billing months. DEP may also terminate the payment option if service is disconnected for nonpayment of the electric bill.

The EPP WeatherProtect offer consists of three components: (1) the EPP WeatherProtect (EPPWP) Monthly Payment Amount, (2) the EPP WeatherProtect Service charge and (3) charges for any additional services including, but not limited to, non-public utility products and services and their associated taxes. The EPPWP Monthly Payment Amount and EPP WeatherProtect Service charge are determined as follows:

EPPWP Monthly Payment Amount:

For new EPPWP customers, the EPPWP Monthly Payment Amount is based on the last 12 months of Regulated Electric Charges. The sum of the past 12 months' monthly Regulated Electric Charges will be divided by 12 to establish an EPPWP Monthly Payment Amount.

For renewing EPPWP customers, the EPPWP Monthly Payment Amount is also based on the last 12 months of Regulated Electric Charges. The EPPWP Monthly Payment Amount for renewing Customers includes a True-up Amount. The True-up Amount is calculated as the difference between the Customer's actual past 12 months EPPWP Monthly Payment Amounts and billing for actual usage under Schedule RES. The sum of the past 12 months' monthly Regulated Electric Charges plus the True-Up amount will be divided by 12 to establish a new EPPWP Monthly Payment Amount. The difference between actual payments and billing



for actual usage is limited by an EPPWP Annual kWh Billing Cap which limits the number of kWhs billed for usage during the past 12 months. The EPPWP Annual kWh Billing Cap is defined below in the Defined Terms section.

EPP WeatherProtect Service:

A separate monthly fee charged to the Customer to participate in the EPP WeatherProtect Plan. The monthly EPP WeatherProtect Service charge is calculated as a designated percentage times the Customer's Predicted Weather Normalized Monthly Bill Amount. The EPP WeatherProtect Service charge percentage will not exceed 3.8%. Monthly service charges are not refundable.

The EPP WeatherProtect Service charge and the Annual kWh Billing Cap are calculated based on expected weather normalized usage for each customer. The proposed program is consistent with cost-based pricing principles. The EPP WeatherProtect Service charge was determined using a financial model to produce a certain return on cost. The EPP WeatherProtect payment offer will be updated monthly to reflect the customer's most recent usage information therefore a customer may elect this option upon an initial solicitation or at a later date of their choosing. A copy of the EPP WeatherProtect offer is attached as Exhibit No. 1. DEP desires to begin offering service under this payment option as soon as the Commission approves this request.

Yours truly,

Frank R. Ellerbe, III

FRE:tch

Enclosure

cc: Jeffrey M. Nelson, ORS, Chief Counsel (via email)
Heather Shirley Smith, Deputy General Counsel (via email)
Rebecca J. Dulin, Senior Counsel (via email)

RESIDENTIAL SERVICE
EQUAL PAYMENT PLAN (WEATHERPROTECT) PILOT EPPWP-2AVAILABILITY

Equal Payment Plan WeatherProtect (“EPPWP”) is available on a voluntary basis, at Company’s sole option, to customers served on Residential Service Schedule RES. The plan offers customers a levelized monthly bill for 12 months with an annual true-up at year-end. The amount of the annual true-up is limited by an annual kWh billing cap that factors in the kWhs used by the customer for the last 12 months.

To qualify for service under the Plan, Customer must have resided at the current dwelling unit and have kilowatt-hour (kWh) usage history for twelve (12) consecutive months, must have a consistent usage pattern that supports an accurate forecast of future consumption, and must have demonstrated a satisfactory payment record meaning they have had no more than two late payments over the prior 12 months. The customer must also participate in the Residential Service My Home Energy Report Program RS-HERP while receiving service under this payment plan. This pilot is not available for new applicants or renewals (customers who have participated during the prior 12 months) on and after November 30, 2020, unless extended by subsequent Commission actions.

EPPWP MONTHLY BILL

The EPPWP Monthly Bill has three key components: (1) The EPPWP Monthly Payment Amount, (2) the EPPWP Service charge (EPP WeatherProtect Service) and (3) charges for additional services including, but not limited to, non-public utility products and services and their associated taxes. The Amount Due (EPP WeatherProtect Billing) equals the sum of the three components listed above. The EPPWP Monthly Payment Amount and EPPWP Service charge (EPP WeatherProtect Service) are determined as follows:

EPPWP Monthly Payment Amount:

For new EPPWP customers, the EPPWP Monthly Payment Amount is based on the last 12 months of Regulated Electric Charges. The sum of the past 12 months' monthly Regulated Electric Charges will be divided by 12 to establish an EPPWP Monthly Payment Amount.

For renewing EPPWP customers, the EPPWP Monthly Payment Amount is also based on the last 12 months of Regulated Electric Charges. The EPPWP Monthly Payment Amount for renewing Customers includes a True-up Amount. The True-up Amount is calculated as the difference between the Customer’s actual past 12 months EPPWP Monthly Payment Amounts and billing for actual usage under Schedule RES. The sum of the past 12 months' monthly Regulated Electric Charges plus the True-Up amount will be divided by 12 to establish a new EPPWP Monthly Payment Amount. The difference between actual payments and billing for actual usage is limited by an EPPWP Annual kWh Billing Cap which limits the number of kWhs billed for usage during the past 12 months. The EPPWP Annual kWh Billing Cap is defined below in the Defined Terms section.

EPPWP Service (EPP WeatherProtect Service):

A separate monthly fee charged to the Customer to participate in the EPPWP Plan. The monthly EPPWP Service charge (EPP WeatherProtect Service) is calculated as a designated percentage times the Customer’s Predicted Weather Normalized Monthly Bill Amount. The EPPWP Service charge (EPP WeatherProtect Service) percentage will not exceed 3.8%. Monthly service charges are not refundable.

Exhibit 1

Duke Energy Progress, LLC
(South Carolina Only)

SC EPPWP-2

The Amount Due (EPP WeatherProtect Billing) will be paid in lieu of the normal monthly charges for actual kilowatt-hours used as calculated on Schedule RES. This Amount Due includes the EPPWP Monthly Payment Amount (this includes any discounts received under Company's Residential Service Energy Conservation Discount Rider RECD, if applicable), the EPPWP Service charge (EPP WeatherProtect Service), and charges for additional services including, but not limited to, non-public utility products and services and their associated taxes. The provisions of Residential Service Schedule RES are modified only as shown herein.

RATE ADJUSTMENTS

All other applicable riders and tariff will be added to the EPPWP Monthly Payment Amount based upon the revenue classification for each customer as outlined in the applicable rider and/or tariff.

CONDITIONS OF EPPWP OFFER

Company shall provide to new and existing participants their EPPWP Monthly Payment Amount, the EPPWP Service charge (EPP WeatherProtect Service) amount and the EPPWP Annual kWh Billing Cap prior to enrollment or renewal.

PARTICIPATION PERIOD

Service under this payment plan shall commence with the first billing period of the Participation Period for a minimum one-year term, renewable annually at the option of both parties. A new Participation Period and its defined EPP Monthly Payment Amount, EPPWP Service charge (EPP WeatherProtect Service) and EPPWP Annual kWh Billing Cap will commence each successive Participation Period unless terminated by Customer or Company.

TERMINATION PROVISIONS

Customer may terminate participation under EPPWP by giving Company a minimum of 30 days prior notice. Company may terminate the Plan if Customer's total actual energy usage in months three (3) through nine (9) of the Participation Period is 30% greater than Total Predicted Weather Adjusted Energy Usage, if the Customer moves from the current residence, if the Customer is delinquent in their EPPWP Payments or for any other violation of this plan. Total Predicted Weather Adjusted Energy Usage is defined below in the Defined Terms section. If this Plan is terminated by Customer or Company at any time during a Participation Period, any existing credit or debit balance will come due at the time of termination. Any Monthly EPPWP Service charge (EPP WeatherProtect Service) payments received will not be included in the determination of the credit or debit balance if Customer requests termination of the Plan.

WEATHER NORMALIZATION MODELING

The Company uses regression modeling as the means to predict a customer's energy usage under various weather conditions. A Customer's expected load response to weather extremes is determined by utilizing that specific customer's previous usage history (minimum of 12 months, maximum of 48 months) and running a regression analysis using 40 years of weather history. The predicted energy usage outputs from the regression analysis can then be evaluated in deciles. Energy usage at the 50th weather percentile is defined as predicted energy usage under normal weather.

DEFINED TERMS

Regulated Electric Charges

These are regulated charges associated with energy usage, taxes and charges for additional services

Exhibit 1

Duke Energy Progress, LLC
(South Carolina Only)

SC EPPWP-2

including, but not limited to, area lighting and extra facilities.

EPPWP Annual kWh Billing Cap

This is the maximum number of kWhs that an EPPWP customer will be billed as part of their true-up amount once they complete their 12 month Participation Period. This kWh billing cap amount is determined using Weather Normalization Modeling and is provided to the customer with the initial and renewal quote. The EPPWP Annual kWh Billing Cap is set at predicted energy usage when weather is at the 75th weather percentile. The EPPWP Annual kWh Billing Cap is a kWh billing cap and not a kWh usage cap.

Predicted Weather Normalized Monthly Bill Amount

This is a Customer's predicted average monthly bill amount over an annual period when weather is at the 50th weather percentile. It is derived using Weather Normalization Modeling. This predicted annual energy usage is then converted to dollars using projected rates and riders. This predicted annual bill amount is then divided by 12 to create the Predicted Weather Normalized Monthly Bill Amount.

Total Predicted Weather Adjusted Energy Usage

This is a Customer's predicted total energy usage (kWhs) for a defined period of time based on actual weather for that time period. It is derived using Weather Normalization Modeling.